INTRODUCTION OF THE RETIREMENT ACCOUNT PORTABILITY IMPROVEMENT ACT

HON. EARL POMEROY

OF NORTH DAKOTA

IN THE HOUSE OF REPRESENTATIVES

Friday, January 31, 2003

Mr. POMEROY. Mr. Speaker, I rise today to introduce the Retirement Account Portability Improvement Act (RAPI), legislation that will prevent money from being leaked from hard earned retirement savings by enhancing workers' retirement savings options.

Workers were confronted with a complex series of obstacles that made it difficult for them to take their retirement benefits with them when they switched jobs. That is why in 1998, I introduced the Retirement Account Portability (RAP) Act, which made it possible for workers to move their retirement benefits between and among the different varieties of defined contribution plans. RAP was incorporated into the pension package set forth by Representatives PORTMAN and CARDIN, and became law upon passage of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). However, when working with employees, employers and retirement plan providers, we identified more barriers to retirement savings portability and these barriers are removed in this ''next generation'' portability bill.

First, RAPI will allow rollovers directly to a spouse's retirement plan. It is common for married couples to manage their finances as a single financial unit and to treat their assets as common property. Yet, in the context of one of a family's most important financial assets, retirement savings, spouses are prevented from transferring amounts to one another. Permitting spousal rollovers would allow couples to balance their savings and to act more as a single financial unit. This would be particularly helpful to couples where one family member has taken time out of the work force to raise a child or care for an elderly parent.

Second, RAPI will allow rollovers to inherited individual retirement accounts (IRA) for non-spousal beneficiaries. If a retirement plan participant dies with a non-spousal beneficiary, that beneficiary is often forced to receive plan benefits immediately and incur immediate tax liability. Participants and beneficiaries should have options that meet their needs while making the process as simple, fair, and even-handed as possible. Allowing the rollover to the inherited IRA will avoid the immediate tax hit and allow the funds to be drawn down gradually. By allowing plan beneficiaries to maintain an inherited IRA, the rules will be improved and retirement savings promoted.

Third, RAPI expands the automatic rollover provisions of EGTRRA. When a terminating employee does not want to leave her benefit with her former employer, but has never established an IRA to receive a rollover, her retirement savings are at risk of being cashed out. That employees should have two more choices, that do not acquire additional work on her part, in which to stash her hard earned savings. By facilitating the offering by employers of a specified IRA or life annuity contract, separating employees can easily prevent money from being leaked from their retirement savings.,

Fourth, RAPI eases the administrative burden of rollovers to Roth IRAs. Retirement savings held in arrangements other than an IRA may not be converted directly to a Roth IRA. Therefore, workers who want to rollover their savings into a Roth IRA must first put it in a traditional IRA. By eliminating this unnecessary step of administrative complexity, workers no longer have to jump through the additional hoop in order to convert to a Roth IRA.

Fifth, RAPI enhances rollovers to Savings Incentive Match Plans for Employees of Small Employers (SIMPLE) Plans. EGTRRA did not expand the portability rules with respect to rollovers from non-SIMPLE plans into SIMPLE plans. The positive trend of enhanced portability of retirement assets should be extended to SIMPLE plans. Not enacting this change would prevent certain individuals from consolidating their retirement savings.

Sixth, RAPI increases retirement savings by accepting ''use it or lose it'' monies from flexible spending accounts (FSA). These accounts reimburse employees for qualified benefits, however, the ''use it or lose it'' requirement prevents amounts from being carried forward to future years or used for other purposes if amounts are not used by the end of the year. An employer's plan should permit up to $500 in amounts available, but not used for medical expenses, during the plan year to be contributed to a retirement savings account or medical savings account. This would encourage increased retirement savings by creating an additional avenue and source for contributions. At the same time, it would improve the operation of FSAs by removing incentives to use those benefits unnecessarily out of fear of losing them otherwise.

Seventh, it reduces vesting for non-elective employer contributions. By reducing the period of time it takes for employees to take possession of employer contributions made to their 401(k) accounts, workers will be able to build meaningful retirement benefits more quickly in today's mobile economy. RAPI will reduce this so-called ''vesting period'' from 5 years to 3 years.

The final section corrects a provision in EGTRRA allowing the rollover of after-tax amounts in annuity contracts and makes improvements to the purchase of service credit regime used by state and local employees to build bigger pension benefits.

I look forward to working with my colleagues to expand workers' portability options. We must continue to advance proposals that will prevent money from being leaked from workers' retirement savings, and I hope my colleagues will join me in passing this important legislation.

CENTRAL NEW JERSEY HONORS JOHN L. McGOLDRICK FOR HIS YEARS OF PUBLIC SERVICE AND CONTRIBUTIONS TO PRIVATE ENTERPRISE

HON. RUSH D. HOLT

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Friday, January 31, 2003

Mr. HOLT. Mr. Speaker, I rise today in recognition of John L. McGoldrick, the Executive Vice President of Bristol-Myers Squibb Company and Director of the Bristol-Myers Squibb Foundation, for his years of service to his community, the people of New Jersey, and millions of people around the world who are leading healthier lives due to his company's medicines. Millions of HIV infected Africans, especially, have benefited from his service.

Mr. McGoldrick is a successful corporate lawyer who is as committed to good corporate citizenship as he is to the needs of the boardroom. His many accomplishments both at home in the United States and abroad reflect his firm commitment to alleviate the suffering of the less fortunate and to promote effective governance.

Since arriving at Bristol-Myers Squibb, for example, he has been responsible for leading the company's HIV/AIDS initiatives in Africa, including its groundbreaking $115 million Secure the Future program in Southern and Francophone Africa, as well as the ACCESS program to make antiretroviral therapy accessible in the developing world. An active global citizen, he is also a Member of the Aspen Institute on the World Economy, the Council on Foreign Relations, and the World Economic Forum.

In his home state of New Jersey, Mr. McGoldrick has served the public as a Director of the New Jersey Transit Corporation, the United States' third largest passenger rail and bus company. He has also served on governmental reform commissions in New Jersey and has been called to represent personally governors of New Jersey from both political parties.

Mr. McGoldrick has also made many contributions to the Jewish community in Jew Jersey. He led Bristol-Myers Squibb's efforts in support of the State of New Jersey Commission on Holocaust Education. For his many contributions to the Jewish community, he was also recently honored at a dinner hosted by the American Jewish Committee's Institute of Human Relations.

I rise today in recognition of John L. McGoldrick, a citizen of the highest order and an honor to both his country and to the State of New Jersey.

A TRIBUTE IN HONOR OF STEPHEN VEAR

HON. NICK SMITH

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Friday, January 31, 2003

Mr. SMITH of Michigan. Mr. Speaker, I rise today to pay tribute to Mr. Stephen Vear, who has honorably served his community as a State of Michigan Representative from 1998 to 2002.

As Representative of Michigan's 58th district, Steve served as Assistant Majority Whip, Vice Chair of the Tax Policy Committee, and Chair of the Tax Simplification Subcommittee, and the State Auditor Generals Oversight and Commerce Committee. During his tenure in the House of Representatives, the Small Business Association of Michigan, the Michigan Coalition for Responsible Gun Owners, and the Dads of Michigan and Moms for Dads organizations named Steve Legislator of the Year in 2001. Steve's dedication to reducing taxes and encouraging business and economic development were aptly demonstrated when he drafted legislation to eliminate the Single Business Tax in Michigan. While representing the 58th District, Steve introduced